

Minutes

Name of meeting	AUDIT COMMITTEE
Date and time	TUESDAY, 22 NOVEMBER 2011 AT 6.00PM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT
Present	Cllrs Julie Jones-Evans (Chair), Reg Barry, Mr Garry Smith (Co Opted Member – Non Voting), Ian Stephens, Andy Sutton, Ian Ward
Cabinet Members	Cllr David Pugh
Officers	Jon Baker, Dave Burbage, Sue Dasent, Stuart Fraser, Stuart Love, Claire Shand, Bob Streets, Jo Thistlewood
Price Waterhouse Coopers	Greg Rubins
Audit Commission	Kate Handy, Kevin Suter
Apologies	None

21. [Minutes](#)

Members reviewed the minutes to the previous meeting of [29 September 2011](#).

Whilst there were no issues of accuracy with the minutes, members were advised that the public questions raised at the previous meeting around Newport Harbour had been addressed via written responses from the Strategic Director of Resources and as a result further correspondence had been received and responded to.

Members were also advised that concerns raised around the Strategic Risk Register would be addressed at the next meeting of the Audit Committee on 21 February 2012.

RESOLVED:

THAT the minutes to the previous meeting be agreed.

22. [Declarations of Interest](#)

None declared.

23. [Public Question Time](#)

There were no public written questions received by the set deadline.

24. **Draft Work Programme**

The programme of work which provided an overview of forthcoming items was discussed.

It was noted that following a review of the plan from officers the Annual Treasury Management Strategy would be presented to the committee at its meeting in February 2012 prior to formal approval at Full Council on 29 February 2012. The Treasury Management Annual Report would be presented to the Committee in June 2012.

It was also agreed that arrangements around Risk Management would be considered around May 2012 just prior to the approval of the Draft Annual Governance Statement.

Members were also advised that various training had been added to the plan which included the role of internal and external audit as well as risk management, accounting and corporate governance.

RESOLVED:

THAT the Draft Work Programme be noted.

25. **Audit Commission Report – Annual Audit Letter**

The Audit Commission presented to members a report on the Annual Audit Letter which summarised the findings from the audit for 2010/11 detailing the opinion of the auditor on both the accounts and on value for money as well as directing attention to any significant issues identified during the audit which would require action by the council.

Members were heartened to learn that the Commission gave an unqualified opinion on the Council's financial statements on 30 September 2011. The council had produced high-quality financial statements which were adjudged as a significant achievement for 2010/11 as the International Financial Reporting Standards (IFRS) had applied for the first time.

With regard to Value for Money, the council was given an unqualified conclusion.

The Committee was further advised that the Audit Commission was unable to certify completion of the 2010/11 audit as it had received a further objection to the Council's accounts on the subject of Newport Harbour. The Audit Commission advised members that it would be necessary to consider the latest objection to decide whether it represented any new issues, before it was able to give any indication of further cost implications. It was further noted that a report would be taken to Cabinet on 13 December 2011 outlining the council's future intentions around the management of Newport Harbour.

With regard to the 2012/13 audit, significant challenges were anticipated which included changes to future funding arrangements as a result of the economic downturn and the resulting pressures on the public finances.

Members were of the opinion that the Localism Bill, approved on 15 November 2011 would also incur implications and challenges for the council.

With regard to the large proportion of individual planned savings not being achieved, members of the Overview and Scrutiny Committee would be provided with an update from Finance after the meeting. It was however noted that the shortfalls were offset by robust action in other areas.

With regard to the Commissions conclusion on the provision of Adult Social Care, members were advised that the recent judicial review of the planned changes had no impact on the findings as the audit centred on the budgeting issues and not the process.

RESOLVED:

THAT the Annual Audit Letter 2010/11 be considered.

26. **Internal Audit Quarterly Report**

The Committee was presented with a report from the council's internal audit provider, PricewaterhouseCoopers (PwC) on the progress of the audit plan for 2011 -12, including the outcomes of the audits completed since the last meeting held on 29 September 2011.

Members were advised that as at 31 October 2011, 60% of the internal plan had been completed which was in line with the target set for that date. There had been no high risks identified since the last committee meeting.

Members were again concerned that there was no mention of the Localism Bill but were assured that PwC would put in place the necessary resources to deal with any changes.

With regard to Sickness Absence Monitoring, members were advised that the updating of the Attendance Management policy and Capability policy as well as the enhancement of the Well Being policy was making good progress.

It was also noted that it was the councils Employment Committee which set the target for the previous year's sickness absence per employee rate. Compared to other Local Authorities, the Committee was advised that the Isle of Wight Council was better than average on the levels of sickness and absence.

On the issue of the Transfer of Fire Control and the possible delay of the projects completion by 27 February 2012 owing to Surrey County Councils commitments to the 2012 London Olympics, members were advised that a revised date for the completion after the Olympic Games date would be provided to them as soon as it was possible to do so.

It was noted that on page D9 of the report, the medium rating figure alongside "Operating Effectiveness" should read 0 and not 4.

Members asked whether it was permissible to recharge schools for the internal audits that they receive. Officers undertook to make enquiries and to report back to the committee as soon as possible.

RESOLVED:

THAT the Internal Audit Quarterly Report be noted

27. Procurement Half Yearly Report

The councils Strategic Director for the Economy and Environment presented to the Committee a report which gave a high level view of the Council's procurement activity (as demonstrated by the operation of the internal Procurement Board) for the period 1 April through 30 September 2011 along with the anticipated procurement activity for the period of 1 October 2011 to 31 March 2012. An update on the ongoing development of the procurement framework was also included.

The committee was advised that the revised procurement team had been in place for three months led by a new Strategic Manager for Procurement & Contract Management.

Members were advised that the volume of waivers granted by the councils internal Procurement Board had increased in 2010/11 to 83 from 78 the previous year. The total to date after the second quarter of 2011/12 was 39. Whilst some waiver requests could be advantageous to the council in terms of providing a quick delivery of an essential service or saving the authority money, there was still a need to reduce waivers, particularly those of an urgent nature, as much as possible.

Members were assured that the Procurement unit would focus on reducing the need for inappropriate waivers but not all waivers.

It was noted that the committee would receive at its next meeting a separate report on the 83 waivers for 2010/11.

RESOLVED:

THAT the Procurement Half Yearly Report be noted.

28. Treasury Management Half-yearly Report

Members received from the councils' Technical Finance Officer an account of the progress on treasury management policies, practices and activities for the half-year to September 2011.

The Committee was advised that the period had been relatively quiet with regard to investing and borrowing activities, although recent changes around the ratings of the major lending banks had led to the Treasury Management group amending the council's approved lending list and counterparty limits. Members were reassured that the council had no exposure to European banks.

Surplus cash balances were all invested in short term loans with the maximum duration to 29 February 2012 being with the Isle of Wight Council pension fund; all other balances would mature within a month or less. Long term debt was the external borrowing from central government, which enabled the funding of Capital Programmes throughout the year.

Since the downgrading of the major banks' credit ratings on 7 October 2011, the committee was advised that there had been no further changes in the ratings, therefore having no impact on the council. Officers were continually reviewing the situation and should there be any major change in circumstances, appropriate action would be taken.

RESOLVED:

THAT the progress of the Treasury Management activity be noted.

29. **Financial Regulations Report**

The Head of Financial Management presented a report to the committee on the council's updated Financial Regulations which followed the recent major changes to the council's business and financial systems. It was noted that the new regulations would provide a framework for consistent financial management and internal control standards to be put in place across the Council which would in turn support the internal control systems as well as help the council manage any risks to the achievement of its corporate objectives.

Members were advised that the financial regulations for the Isle of Wight Council were consistent with those developed as a model by the Chartered Institute of Public Finance and Accountancy (CIPFA).

It was noted that the careful management of the predicted areas of overspend along with the measures taken elsewhere, as outlined in the 2011/12 budget report, had allowed for the £787,000 underspend being achieved.

As part of the budget setting process members of the Overview and Scrutiny Committee and various Scrutiny Panels would be given the opportunity to contribute prior to final submission for Full Council approval. Members were therefore advised that elected members were fulfilling their duties and responsibilities with regard to the budget setting.

Members requested that with regard to the section on carryover of over and underspends; paragraph 4.3.6 of the appendix be re-worded so that continual underspends in a particular service area would be challenged with the potential for them to be returned to the corporate centre as soon as deemed appropriate. Members would be forwarded a revised paragraph after the meeting.

On internal and central support recharges options, the committee was advised that on 8 December 2011 a workshop with all finance staff would take place to consider the new arrangements and options in order to ensure that the authority was best placed to deal with the coming changes and the implications with regard to the Localism Bill.

It was noted that the whole issue of recharging would be addressed by the Head of Financial Management as part of the Training for Committee Members in May 2012

With regard to Financial Management and controlling budget spend; the Strategic Director of Resources advised members that there were a number of mechanisms in place which included one person being accountable for each area. Each month all services and relevant Directors would hold a Service Board, discussing various ranges

around performance and financial management, highlighting a range of issues. Some budget areas were relatively easy to manage whereas others such as Adult Social Care were far more complex and harder to control owing to individual service users needs.

All information and conclusions would then be fed into the quarterly budget monitoring reports which would then be taken to Scrutiny and Cabinet for formal approval.

Scrutiny had also been presented with a savings tracker which listed all efficiencies agreed by Full Council in February 2011. As well as such measures there was also a Budget Review Board which would identify any problem areas and agree any subsequent actions necessary. Further budget reviews were also presented to Full Council and Cabinet throughout 2010 and 2011.

RESOLVED:

THAT, subject to the rewording of paragraph 4.3.6, the Financial Regulations report be approved for publication.

30. [Progress against Quarterly Updates to AGS Issues](#)

The Business Effectiveness presented a report to the committee which updated members on the progress made against the issues raised in the Annual Governance Statement approved by members of the committee on 29 June 2011.

The Head of ICT advised members that the encryption of all council laptops had now been completed.

Members were also advised that the effect of the Localism Bill could be reflected in the next Annual Audit Plan which would be presented to Directors Team Meeting before being presented to the Committee for approval in February 2012. The Committee was also advised that the bills impact would need to be considered by Cabinet at some stage with regards to what measures would need to be taken.

With regard to the Capacity to Deliver Significant Organisational Change, the Committee was advised that relevant Directors and Heads of Service were responsible for the delivery of the initiative to all staff.

RESOLVED:

THAT the actions reported in the [Appendix](#) to the report be noted and endorsed.

CHAIRMAN.....